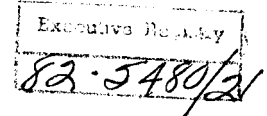


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6 August 1982



## MEMORANDUM FOR THE RECORD

SUBJECT: NSC Meeting, 6 August 1982

Present: The President, Shultz, Regan, Block, Baldrige, Clark, Adm. Watkins, Carlucci, Meese, Kirkpatrick, Weidenbaum, Stockman, Olmer, Macfarlane, Leland, Bailey, MacDonald, Harper, Darman.

Secretary Baldrige reported on progress on the steel negotiations with the European Community.

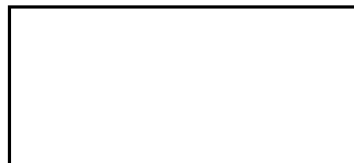
Secretary Regan went down several items:

- Credits to the Soviet Union: He noted that commercial interest rates were declining close to the agreed upon level with the Europeans.
- Monetary coordination: He said that there has been some intervention in the exchanges; reported on Mexico introducing a 2-tier system.
- Pipeline sanctions:
  - noted the relationship exclusively to Polish developments.
  - asked how we should respond to European blocking actions: go to court or retaliate? If we go to court, where? We lose in European courts.
  - noted that the sanctions include oil and gas technology unrelated to the pipeline.
  - stated the need for "carrots" including both energy and non-energy related.
  - gave hypothetical example of other nations exercising "territorial sanctions" against the US.
  - expressed the need to develop alternative energy sources, mentioning domestic possibilities, Norway, Algeria. He said that Amb. Galbraith was doing good work on this subject and needs more support.

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I reported on the Soviet ability to deliver gas to Western Europe and on the opportunity cost to the Soviets assuming no access to US or Western European technology. Secretary Shultz said that the President had made his point to the Europeans and that it was difficult to decide where to go from here. He added that our problem was not damaging Western Europe while damaging the Soviet Union; also that he was especially worried about the impact on our long term ability to export.

The President said that some movement in Poland would help, that he had said this at Versailles, but the Europeans hadn't responded.



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